

**District Health Department No. 10  
White Cloud, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2008**

District Health Department No. 10

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**INDEPENDENT AUDITOR'S REPORT**

Board of Public Health  
District Health Department No. 10  
White Cloud, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of District Health Department No. 10, a component unit of Missaukee County, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

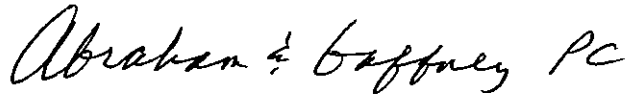
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of District Health Department No. 10 as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2009, on our consideration of District Health Department No. 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and are not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended September 30, 2008, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

**Financial Highlights**

- The assets of the Department exceeded its liabilities at September 30, 2008, by \$634,238 at the government-wide level. Of this amount, \$340,677 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets decreased \$8,138 as a result of this year's operations.
- As of September 30, 2008, the Department's governmental fund reported an ending fund balance of \$856,959, an increase of \$9,288.
- As of September 30, 2008, the unreserved and undesignated fund balance was \$575,806.

**Overview of the Financial Statements**

The District Health Department No. 10's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Department. They present an overall view of the Department's finances, reporting the assets and liabilities on fiscal year ending September 30, 2008.

The statement of net assets presents information on all of the District Health Department No. 10's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during fiscal year 2007/08. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the District Health Department No. 10's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, local, and contributions. The governmental activities of the Department are all considered health and sanitation programs. The Department does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the District Health Department No. 10.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Health Department No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

District Health Department No. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District Health Department No. 10 adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 1-6 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information, including a combining statement of revenues and expenditures by program as well as information concerning expenditures of federal awards can be found on pages 16-34 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of District Health Department No. 10, assets exceeded liabilities by \$634,238. A comparative analysis of data with the previous fiscal year is as follows:

	<u>2007</u>	<u>2008</u>
Current assets	\$ 2,177,347	\$ 2,560,609
Capital assets	<u>341,265</u>	<u>293,561</u>
Total assets	2,518,612	2,854,170
Current liabilities	<u>1,876,236</u>	<u>2,219,932</u>
Net assets		
Invested in capital assets	341,265	293,561
Unrestricted	<u>301,111</u>	<u>340,677</u>
Total net assets	<u>\$ 642,376</u>	<u>\$ 634,238</u>

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) increased by \$39,566. This represents an increase of approximately 13 percent. Net assets invested in capital assets stands at \$293,561. The current level of total net assets for our governmental activities stands at \$634,238, or approximately 4 percent of annual expenses.

District Health Department No. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

The following table shows the changes of net assets for the years ended September 30, 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Program revenues		
Charges for services	\$ 3,604,305	\$ 3,639,625
Operating grants and contributions	8,331,881	9,193,410
General revenue		
County appropriations	2,706,290	2,744,494
Cigarette tax	106,444	86,950
Interest	<u>55,550</u>	<u>18,794</u>
Total revenues	14,804,470	15,683,273
Program Expenses	<u>14,924,023</u>	<u>15,691,411</u>
Change in net assets	<u>\$( 119,553 )</u>	<u>\$( 8,138 )</u>

Total revenues and expenses increased approximately 6% over last year, primarily related to normal economic cost increase factors as well as costs associated with the increased levels of grant funding.

#### Financial Analysis of the Government's Fund

As noted earlier, the District Health Department No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the District Health Department No. 10's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District Health Department No. 10's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District Health Department No. 10's governmental fund reported an ending fund balance of \$856,959; an increase of \$9,288 in comparison with the prior year. Of this total, \$281,153 has been reserved for prepaid expenditures. The unreserved and undesignated fund balance at September 30, 2008 was \$575,806.

As a measure of the governmental fund's liquidity, it may be useful to compare unreserved (designated and undesignated) fund balance, total fund balance, and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance (\$575,806) and total fund balance (\$856,959) represent approximately 3.7 percent and 5.5 percent, respectively, of total fund expenditures. The Department has no designations of fund balance.

#### Governmental Fund Budgetary Highlights

Over the course of the year, the District Health Department No. 10's Board of Health may amend the budget to take into account events that occur during the year. For the year ended September 30, 2008, the budget was amended by minor amounts to maintain consistency with actual activities for the fiscal year. In total, the Department's amended expenditure budget changed from \$12,924,673 to \$15,627,648.

District Health Department No. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2008

**Capital Asset and Debt Administration**

**Capital Assets:** The District Health Department No. 10's investment in capital assets as of September 30, 2008, amounts to \$293,561 (net of accumulated depreciation).

**Long-term Obligations:** The Department has no long-term liabilities. The total accumulated compensated absences were \$516,282 at September 30, 2008. This entire amount is classified as a current liability.

**Economic Factors and Next Year's Budget and Rates**

For the fiscal year ending September 30, 2009, close monitoring of State budget actions will continue to be important related to further possible cuts in funding provided through State grant agreements and other State funding mechanisms such as Medicaid Cost-Based and Rate-Based Reimbursement supplements. Similarly it will be important to closely monitor environmental health permit applications activity and related fee revenues to determine if recent declines will continue. Because these funding sources represent such a substantial portion of the Department's operating budget, changes in the levels of funding have a significant impact on the types and levels of service that District Health Department No. 10 is able to provide.

Because the services of the District Health Department No. 10 are provided based on need and not the ability to pay, and the financial condition of the Department is generally sound, the budget for the fiscal year ending September 30, 2009 included only normal economic increases in fees charged for services to the general public related to the corresponding increased operating costs to provide them and related to the levels of county funds appropriated.

**Requests for Information**

This financial report is designed to provide a general overview of the District Health Department No. 10's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Administrative Services Director  
District Health Department No. 10  
1049 Newell  
P.O. Box 850  
White Cloud, MI 49349

## **BASIC FINANCIAL STATEMENTS**

District Health Department No. 10

STATEMENT OF NET ASSETS

September 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 738,966
Due from other governmental units	
Federal/State	825,777
Local	439,404
Prepays	281,153
Inventories	<u>275,309</u>
Total current assets	2,560,609
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>293,561</u>
TOTAL ASSETS	2,854,170
LIABILITIES	
Current liabilities	
Accounts payable	410,782
Accrued wages	232,906
Other accrued liabilities	178,583
Unearned revenue	881,379
Compensated absences	<u>516,282</u>
TOTAL LIABILITIES	<u>2,219,932</u>
NET ASSETS	
Invested in capital assets	293,561
Unrestricted	<u>340,677</u>
TOTAL NET ASSETS	<u><u>\$ 634,238</u></u>

See accompanying notes to financial statements.

District Health Department No. 10

STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Personal health	\$ 13,453,040	\$ 2,654,768	\$ 8,971,171	\$ (1,827,101)
Environmental health	<u>2,238,371</u>	<u>984,857</u>	<u>222,239</u>	<u>(1,031,275)</u>
Total	<u>\$ 15,691,411</u>	<u>\$ 3,639,625</u>	<u>\$ 9,193,410</u>	(2,858,376)
General revenues				
Interest				18,794
County appropriations				
Regular				1,568,780
Other				1,175,714
Cigarette tax				<u>86,950</u>
Total general revenues				<u>2,850,238</u>
Change in net assets				(8,138)
Net assets, beginning of the period				<u>642,376</u>
Net assets, end of the period				<u>\$ 634,238</u>

See accompanying notes to financial statements.

District Health Department No. 10

GOVERNMENTAL FUND BALANCE SHEET

September 30, 2008

	Special Revenue
ASSETS	
Cash	\$ 738,966
Due from other governmental units	
Federal/State	825,777
Local	439,404
Prepays	281,153
Inventories	<u>275,309</u>
TOTAL ASSETS	<u><u>\$ 2,560,609</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 410,782
Accrued wages	232,906
Other accrued liabilities	178,583
Deferred revenue	<u>881,379</u>
TOTAL LIABILITIES	1,703,650
FUND BALANCE	
Reserved for	
Prepays	281,153
Unreserved	
Undesignated	<u>575,806</u>
TOTAL FUND BALANCE	<u>856,959</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,560,609</u></u>

See accompanying notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2008

**Total fund balance - governmental fund** **\$ 856,959**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,012,996	
Accumulated depreciation is	<u>(719,435)</u>	
		293,561

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences		<u>(516,282)</u>
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<b>Net assets of governmental activities</b>		<b><u>\$ 634,238</u></b>
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See accompanying notes to financial statements.

District Health Department No. 10

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2008

	Special Revenue
REVENUES	
Licenses and permits	\$ 898,910
Intergovernmental	
Federal/State	9,190,299
Contributions from local units	3,111
Charges for services	2,726,148
Interest and rents	18,794
Other	14,567
	<hr/>
TOTAL REVENUES	12,851,829
EXPENDITURES	
Current	
Salaries and wages	6,645,308
Fringe benefits	3,252,224
Board of health	33,140
Supplies and materials	3,235,112
Printing and publishing	33,003
Contractual	572,089
Communications	73,266
Travel	400,863
Insurance	119,264
Repairs and maintenance	43,574
Rent	1,194,242
Educational training	24,475
Capital outlay	47,425
	<hr/>
TOTAL EXPENDITURES	15,673,985
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,822,156)
OTHER FINANCING SOURCES	
County appropriations - regular	1,568,780
County appropriations - other	1,175,714
Cigarette tax	86,950
	<hr/>
TOTAL OTHER FINANCING SOURCES	2,831,444
	<hr/>
NET CHANGE IN FUND BALANCE	9,288
Fund balance, beginning of period	847,671
	<hr/>
Fund balance, end of period	\$ 856,959
	<hr/>

See accompanying notes to financial statements.

District Health Department No. 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

**Net change in fund balance - governmental fund** **\$ 9,288**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 63,791	
Depreciation expense	<u>(111,495)</u>	
Excess of depreciation expense over capital outlay		(47,704)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	<u>30,278</u>
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**Change in net assets of governmental activities** **\$ (8,138)**

See accompanying notes to financial statements.

District Health Department No. 10  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District Health Department No. 10 is a municipal authority comprising Crawford, Kalkaska, Lake, Manistee, Mason, Mecosta, Missaukee, Newaygo, Oceana, and Wexford Counties. It operates under an appointed Board of Health and provides services to its residents in the area of public health. The Health Department is considered a component unit under the oversight authority of the County of Missaukee. As such, it is an integral part of Missaukee County's reporting entity.

The District Health Department's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Department are discussed below.

The primary revenues of the District Health Department No. 10 are charges for services, Federal and State grants and County appropriations.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the District Health Department No. 10.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Department as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Department and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Department.

**FUND FINANCIAL STATEMENTS**

The Department uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Department's individual major fund.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Department is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Department, which are restricted to expenditures for specified health related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Department reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Department receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Department is prepared by Department management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Department's payroll and accounts payable checking account, imprest cash, and cash on deposit with the Missaukee County Treasurer.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Receivables and Deferred Revenue

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

The Department has recorded deferred revenue at both the government-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end. Deferred revenue has also been recorded for various grant programs when cash has been received before the related expenditures have been made and the grant dollars are therefore unearned. These accounts are shown as "unearned revenue" in the government-wide financial statements.

7. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan.

8. Prepays

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures/expenses.

9. Capital Assets

Capital assets include equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	3 - 7 years
-----------	-------------

The Department has no assets that would be classified as infrastructure assets.

10. Compensated Absences

The Department employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability in the government-wide financial statements.

11. Reserved Fund Balance

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally separated for a specific future use.

District Health Department No. 10  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. Comparative Data**

Comparative data for the prior year have not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Department is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The cash caption on the balance sheet includes \$5,033 in imprest cash and \$733,933 in cash that is on deposit with the Missaukee County Treasurer. The cash on deposit with the Missaukee County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

**Credit risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2008, the Department did not have any investments that would be subject to rating.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE B: CASH - CONTINUED**Interest rate risk

The Department will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Department has investments that are subject to this type of risk.

Concentration of credit risk

The Department will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Department's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Department has investments that are subject to this type of risk.

**NOTE C: CAPITAL ASSETS**

The following provides a summary of the changes in capital assets for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
Governmental activities:				
Equipment	\$ 949,205	\$ 63,791	\$ -	\$ 1,012,996
Less accumulated depreciation for:				
Equipment	( 607,940 )	( 111,495 )	-	( 719,435 )
Capital assets, net	<u>\$ 341,265</u>	<u>\$( 47,704 )</u>	<u>\$ -0-</u>	<u>\$ 293,561</u>

Depreciation expense has been allocated to governmental functions as follows: Personal Health \$95,886, and Environmental Health \$15,609.

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Health Department for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008	Amounts due within one year
Compensated absences	<u>\$ 546,560</u>	<u>\$ 637,516</u>	<u>\$( 667,794)</u>	<u>\$ 516,282</u>	<u>\$ 516,282</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Compensated Absences

In accordance with Department personnel policies, individual employees have rights upon termination of employment to receive payment for unused vacation time and sick leave under the formulas and conditions specified in the personnel policies. The dollar amount of these rights (vested and probable to vest) including related payroll taxes amounted to \$516,282 for compensated absences at September 30, 2008. This amount has been recorded in the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE D: LONG-TERM DEBT - CONTINUED**Compensated Absences - continued

Compensated absences represent a liability to the Department which is presented as current in the Statement of Net Assets. Payments to employees for accumulated compensated absences are recorded as expenditures when they are used and payments are actually made to the employees.

**NOTE E: DEFINED BENEFIT RETIREMENT PLAN**Plan Description

The Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Department hired prior to October 1, 1997. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires no contributions from covered employees. The Department is required to contribute all amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2008, the Department's annual pension cost of \$667,466 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.0 % investment rate of return (b) projected salary increases of 4.5 % per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten (10) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over an open period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$12,863,830	\$13,477,983	\$14,176,182
Actuarial accrued liability (AAL) (entry age)	19,592,729	20,363,714	21,139,190
Unfunded AAL	6,728,899	6,885,731	6,963,008
Funded ratio	66 %	66 %	67 %
Covered payroll	1,918,813	1,986,226	1,962,547
UAAL as a percentage of covered payroll	351 %	347 %	355 %

## NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE E: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED**Three (3) year trend information - continued

	Year Ended September 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 576,907	\$ 575,508	\$ 667,466
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**NOTE F: DEFINED CONTRIBUTION RETIREMENT PLAN**

The Department has a 401-K, single employer defined contribution plan, available to all eligible employees of the Department. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will received depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who have completed 1,040 hours of service are eligible to participate.

The plan allows each employee to determine his/her own contribution, not to exceed the lesser of \$40,000 or 100% of his or her salary, according to current provisions of the Internal Service Code. The Department contributes 5% of the employees' salary. These contributions are not dependent of the participation of the employees. Additionally, the Department will match up to 3% of employee contributions. The plan uses the accrual basis of accounting with investments stated at market.

Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending September 30, 2008; the Department's contribution to the plan was \$315,596. Employee contributions to the plan were \$122,847 for 2008.

**NOTE G: RISK MANAGEMENT**

The Department carries commercial insurance for the risk of loss due to workers' compensation claims.

The Department also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. Members of the State pool do not have individual self-insured retention amounts other than a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$5 million for liability and about \$5 million for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Department has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the Budgetary Comparison Schedule reported as Required Supplementary Information, the Department's budgeted expenditures in the Special Revenue Fund have been shown at the functional classification level. The approved budget of the Department has been adopted at the total expenditure level.

During the period ended September 30, 2008, the Department incurred expenditures in excess of the amounts appropriated at follows:

<u>Final Amounts Appropriated</u>	<u>Actual Amounts Expended</u>	<u>Variance</u>
\$15,627,648	\$15,673,985	\$ 46,337

## **REQUIRED SUPPLEMENTARY INFORMATION**

District Health Department No. 10

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended September 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Licenses and permits	\$ 1,046,880	\$ 934,860	\$ 898,910	\$ (35,950)
Intergovernmental				
Federal/State	6,041,824	8,612,737	9,190,299	577,562
Contribution from local units	-	-	3,111	3,111
Charges for services	2,937,328	3,179,780	2,726,148	(453,632)
Interest and rents	34,298	19,298	18,794	(504)
Other	9,944	29,500	14,567	(14,933)
<b>TOTAL REVENUES</b>	<b>10,070,274</b>	<b>12,776,175</b>	<b>12,851,829</b>	<b>75,654</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	6,379,719	6,642,711	6,645,308	(2,597)
Fringe benefits	3,271,601	3,278,677	3,252,224	26,453
Board of health	29,000	29,000	33,140	(4,140)
Supplies and materials	688,686	3,032,986	3,235,112	(202,126)
Printing and publishing	24,446	42,613	33,003	9,610
Contractual	583,866	593,695	572,089	21,606
Communications	70,000	70,000	73,266	(3,266)
Travel	434,500	448,816	400,863	47,953
Insurance	118,450	119,268	119,264	4
Repairs and maintenance	51,000	51,000	43,574	7,426
Rent	1,166,180	1,175,712	1,194,242	(18,530)
Educational training	37,225	41,040	24,475	16,565
Capital outlay	70,000	102,130	47,425	54,705
<b>TOTAL EXPENDITURES</b>	<b>12,924,673</b>	<b>15,627,648</b>	<b>15,673,985</b>	<b>(46,337)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(2,854,399)</b>	<b>(2,851,473)</b>	<b>(2,822,156)</b>	<b>29,317</b>
<b>OTHER FINANCING SOURCES</b>				
County appropriations - regular	1,568,811	1,568,811	1,568,780	(31)
County appropriations - other	1,166,180	1,175,712	1,175,714	2
Cigarette tax	106,408	86,950	86,950	-0-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,841,399</b>	<b>2,831,473</b>	<b>2,831,444</b>	<b>(29)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(13,000)</b>	<b>(20,000)</b>	<b>9,288</b>	<b>29,288</b>
Fund balance, beginning of period	847,671	847,671	847,671	-0-
Fund balance, end of period	<u>\$ 834,671</u>	<u>\$ 827,671</u>	<u>\$ 856,959</u>	<u>\$ 29,288</u>

## **OTHER SUPPLEMENTARY INFORMATION**

District Health Department No. 10

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM

Year Ended September 30, 2008

	Agency	Environmental Health	Personal Health	MIHP
<b>REVENUES</b>				
Licenses and permits	\$ -	\$ 898,910	\$ -	\$ -
Intergovernmental				
Federal/State	2,170,618	222,239	325,708	-
Contributions from local units	-	-	3,111	-
Charges for services	-	85,947	23,076	1,276,489
Interest and rents	18,794	-	-	-
Other	14,427	-	-	-
<b>TOTAL REVENUES</b>	<b>2,203,839</b>	<b>1,207,096</b>	<b>351,895</b>	<b>1,276,489</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	644,623	1,252,035	476,717	843,184
Fringe benefits	325,081	578,210	273,722	406,321
Board of health	33,140	-	-	-
Supplies and materials	48,379	24,229	22,692	13,766
Printing and publishing	1,621	1,649	1,345	2,792
Contractual	100,230	3,000	3,646	140,969
Communications	6,991	12,441	6,818	9,405
Travel	35,221	124,529	20,184	67,081
Insurance	19,319	20,577	9,053	14,257
Repairs and maintenance	2,817	4,640	2,350	11,825
Rent	120,545	209,452	103,817	148,493
Educational training	5,560	931	215	1,328
Capital outlay	41,690	-	354	86
<b>TOTAL EXPENDITURES</b>	<b>1,385,217</b>	<b>2,231,693</b>	<b>920,913</b>	<b>1,659,507</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>818,622</b>	<b>(1,024,597)</b>	<b>(569,018)</b>	<b>(383,018)</b>
<b>OTHER FINANCING SOURCES</b>				
County appropriations - regular	1,568,780	-	-	-
County appropriations - other	1,175,714	-	-	-
Cigarette tax	86,950	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,831,444</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>3,650,066</b>	<b>(1,024,597)</b>	<b>(569,018)</b>	<b>(383,018)</b>

WIC	MCIR	Breast and Cervical	Health Promotion	Wise Woman	Family Planning
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,198,583	175,000	197,284	42,422	115,500	240,938
-	-	-	-	-	-
718	-	104,139	14,725	109,820	208,193
-	-	-	-	-	-
100	-	40	-	-	-
1,199,401	175,000	301,463	57,147	225,320	449,131
717,139	77,387	173,131	115,385	140,600	526,608
355,328	39,897	90,790	56,079	71,849	255,735
-	-	-	-	-	-
22,542	1,310	10,738	19,755	15,819	159,361
1,695	-	6,248	3,944	-	963
2,656	17,725	1,205	1,735	-	19,770
7,872	972	1,964	979	1,537	5,738
27,043	3,258	7,992	8,517	5,606	19,976
12,587	1,332	3,317	1,452	2,803	8,741
2,880	312	711	374	608	6,390
138,463	13,927	32,652	16,740	26,168	92,635
2,674	200	45	45	-	3,805
413	-	-	657	-	337
1,291,292	156,320	328,793	225,662	264,990	1,100,059
(91,891)	18,680	(27,330)	(168,515)	(39,670)	(650,928)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
(91,891)	18,680	(27,330)	(168,515)	(39,670)	(650,928)

District Health Department No. 10

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM - CONTINUED

Year Ended September 30, 2008

	CSHCS Local Based Services	Beach Monitoring	Immunization Action Grant	Tobacco Coalition
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	200,959	21,615	2,613,545	20,000
Contributions from local units	-	-	-	-
Charges for services	-	-	560,034	-
Interest and rents	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	200,959	21,615	3,173,579	20,000
EXPENDITURES				
Current				
Salaries and wages	106,269	5,582	475,436	9,357
Fringe benefits	50,744	2,063	231,326	4,423
Board of health	-	-	-	-
Supplies and materials	1,590	1,074	2,763,027	138
Printing and publishing	-	-	941	-
Contractual	-	8,280	-	-
Communications	1,265	50	4,651	88
Travel	2,459	892	8,153	701
Insurance	1,547	28	8,545	159
Repairs and maintenance	404	18	6,162	33
Rent	18,099	716	84,037	1,595
Educational training	-	-	1,400	-
Capital outlay	-	-	1,377	-
TOTAL EXPENDITURES	182,377	18,703	3,585,055	16,494
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,582	2,912	(411,476)	3,506
OTHER FINANCING SOURCES				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	18,582	2,912	(411,476)	3,506

HIV Ryan White Title II	Abstinence	Teen Parenting	Hearing and Vision	HOPWA	TENCON
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
81,000	50,000	64,963	3,800	54,530	102,071
-	-	-	-	-	-
-	-	-	16,610	-	201,643
-	-	-	-	-	-
-	-	-	-	-	-
81,000	50,000	64,963	20,410	54,530	303,714
31,293	18,641	33,713	111,201	16,328	165,715
14,995	8,182	15,012	70,065	6,266	69,627
-	-	-	-	-	-
1,237	1,415	1,561	2,279	191	28,285
1,472	563	-	-	-	883
13,585	7,000	3,773	-	25,457	4,440
462	253	376	1,448	145	1,469
3,266	2,305	1,689	11,853	213	7,880
547	112	561	2,568	190	1,717
157	62	116	580	52	507
6,989	2,648	5,485	25,480	2,245	20,683
-	600	494	-	-	-
-	-	-	1,771	-	-
74,003	41,781	62,780	227,245	51,087	301,206
6,997	8,219	2,183	(206,835)	3,443	2,508
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
6,997	8,219	2,183	(206,835)	3,443	2,508

## COMBINING SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM - CONTINUED

Year Ended September 30, 2008

	Pandemic Flu	Communicable Disease	0-5 Grant Newaygo	0-3 Grant Lake, Mason Oceana
<b>REVENUES</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	108,867	-	80,443	122,110
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>108,867</b>	<b>-0-</b>	<b>80,443</b>	<b>122,110</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	53,257	173,068	46,012	66,732
Fringe benefits	27,009	71,939	38,365	35,711
Board of health	-	-	-	-
Supplies and materials	992	9,746	1,695	5,945
Printing and publishing	-	-	-	696
Contractual	-	-	1,153	-
Communications	603	1,696	1,182	784
Travel	2,883	5,303	2,156	6,869
Insurance	561	2,387	899	1,351
Repairs and maintenance	257	570	333	263
Rent	9,870	25,955	14,093	12,738
Educational training	-	525	-	3,099
Capital outlay	-	-	-	546
<b>TOTAL EXPENDITURES</b>	<b>95,432</b>	<b>291,189</b>	<b>105,888</b>	<b>134,734</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>13,435</b>	<b>(291,189)</b>	<b>(25,445)</b>	<b>(12,624)</b>
<b>OTHER FINANCING SOURCES</b>				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>13,435</b>	<b>(291,189)</b>	<b>(25,445)</b>	<b>(12,624)</b>

<u>Cancer Prevention</u>	<u>Lead Hemoglobin</u>	<u>Emergency Preparedness</u>	<u>CVD</u>	<u>IMMS Field Rep</u>	<u>Maternal Child Health</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
177,418	-	224,219	45,000	119,649	190,131
-	-	-	-	-	-
-	29,306	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
177,418	29,306	224,219	45,000	119,649	190,131
62,445	17,768	113,845	9,608	-	27,909
22,183	9,599	44,744	3,782	-	12,963
-	-	-	-	-	-
20,419	581	1,669	236	868	1,451
1,223	-	-	-	-	395
45,874	-	20,763	23,015	97,865	219
617	220	591	434	455	253
1,901	29	7,201	2,980	-	1,939
458	248	972	413	-	444
160	78	194	117	-	109
7,011	3,542	9,078	5,658	8,679	4,687
430	-	80	-	-	239
-	-	-	-	-	194
162,721	32,065	199,137	46,243	107,867	50,802
14,697	(2,759)	25,082	(1,243)	11,782	139,329
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
14,697	(2,759)	25,082	(1,243)	11,782	139,329

## COMBINING SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM - CONTINUED

Year Ended September 30, 2008

	NMSAS	Girls on the Run	5 to 8 Grant	0 to 3 Grant Manistee, Crawford
<b>REVENUES</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	27,288	9,214	5,768	179,417
Contributions from local units	-	-	-	-
Charges for services	7,704	87,744	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>34,992</b>	<b>96,958</b>	<b>5,768</b>	<b>179,417</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	7,357	28,740	1,336	96,887
Fringe benefits	2,849	15,008	995	41,362
Board of health	-	-	-	-
Supplies and materials	156	41,960	26	9,980
Printing and publishing	-	-	-	6,573
Contractual	19,482	2,000	3,447	4,800
Communications	89	371	19	1,028
Travel	465	2,683	2	7,634
Insurance	59	639	20	1,401
Repairs and maintenance	25	101	6	363
Rent	1,054	5,457	275	15,276
Educational training	-	-	-	2,805
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>31,536</b>	<b>96,959</b>	<b>6,126</b>	<b>188,109</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,456</b>	<b>(1)</b>	<b>(358)</b>	<b>(8,692)</b>
<b>OTHER FINANCING SOURCES</b>				
County appropriations - regular	-	-	-	-
County appropriations - other	-	-	-	-
Cigarette tax	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>3,456</b>	<b>(1)</b>	<b>(358)</b>	<b>(8,692)</b>

<u>Total</u>
\$ 898,910
9,190,299
3,111
2,726,148
18,794
<u>14,567</u>

12,851,829

6,645,308
3,252,224
33,140
3,235,112
33,003
572,089
73,266
400,863
119,264
43,574
1,194,242
24,475
<u>47,425</u>

15,673,985

(2,822,156)

1,568,780
1,175,714
<u>86,950</u>

2,831,444

9,288

District Health Department No. 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2008

<u>Federal Grantor/Pass-thru grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Michigan Department of Community Health				
Supplemental Food Program for Women, Infants, and Children	10.557			
WIC		XX4W1006	\$ 1,196,710	\$ 1,196,710
WIC Infrastructure		2007W1011	1,873	1,873
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,198,583	1,198,583
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan Department of Community Health				
Housing Opportunities for Persons With AIDS	14.241	MI28H95 F036	54,530	54,530
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through Michigan Department of Environmental Quality				
Operator Certification Expense Reimbursement Grant	66.471	CT975861	20,600	20,600
Beach Monitoring and Notification Program Grant	66.472	CU96510601	21,615	21,615
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			42,215	42,215
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Human Services				
Temporary Assistance to Needy Families	93.558			
Lake, Mason, Oceana 0-3 Prevention Grant		CTFPR-05-53001	122,110	122,110
Crawford, Manistee 0-3 Prevention Grant - additonal		CTFPR-08-20002	34,931	34,931
Crawford, Manistee 0-3 Prevention Grant		CTFPR-07-20001	145,026	145,026
Teen Parent Grant		TP-06-62001	64,963	64,963
			367,030	367,030

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2008

Federal Grantor/Pass-thru grantor/Program Title	CFDA Number	Pass-through Grantor Number	Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Northern Michigan Substance Abuse Services				
Block Grants for the Prevention and Treatment of Substance Abuse <sup>(b)</sup>	93.959			
Tobacco checks - planning		N/A	\$ 6,163	\$ 6,163
Oceana Prevention Partnership for Change		N/A	21,830	21,830
			27,993	27,993
Passed through Michigan Department of Community Health				
Family Planning - Services	93.217	05H000173	173,700	173,700
Immunizations <sup>(a)</sup>	93.268			
Immunization Field Service Rep		H23 CCH522556	119,649	119,649
Immunizations IAP		H23 CCH522556	105,592	105,592
Centralized vaccine		H23 CCH522556	16,031	16,031
Immunizations		H23 CCH522556	11,300	11,300
Vaccine supply		20080774	2,128,213	2,128,213
			2,380,785	2,380,785
Center for Disease Control - Investigations and Technical Assistance	93.283			
Emergency Preparedness		CCU517018	224,219	224,219
BCCCP Coordination		20080774	191,284	191,284
Pandemic Flu		CCU517018	108,867	108,867
Wise Woman		U58 CCU522826	85,970	85,970
Family Planning demo		20080774	6,000	6,000
			616,340	616,340
Medical Assistance Program (Medicaid Title XII)	93.778			
CSHCS-LBS		5XX05MI5048	68,182	68,182
Case Management/Care Coordination		5XX05MI5048	88,459	88,459
			156,641	156,641

District Health Department No. 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2008

<u>Federal Grantor/Pass-thru grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Preventive Health and Health Services Block Grant	93.991			
Chronic Disease Prevention		B1 MI PRVS	\$ 12,000	\$ 12,000
Maternal and Child Health Services Block Grant	93.994			
Family Planning		B1MIMCHS	91,131	91,131
Child Health		B1MIMCHS	77,000	77,000
Healthy Futures		B1MIMCHS	22,000	22,000
CSHCS-LBS		B1MIMCHS	44,318	44,318
			<u>234,449</u>	<u>234,449</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,968,938</u>	<u>3,968,938</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 5,264,266</u>	<u>\$ 5,264,266</u>

(c)

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal grant activity of the District Health Department No. 10 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Denotes program tested as major.
- (b) Reported amounts represent the portion of the grant which is considered Federal. The Federal participation in this program is 80%.
- (c) The following reconciles the federal revenues reported in the September 30, 2008, fund financial statements to the expenditures of the Department administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	\$ 9,190,299
<u>Less:</u> Difference between vaccines administered (revenue per financial statements) and vaccines received (expenditures per SEFA and instructions from grantor agency)	( 133,121 )
<u>Less:</u> Portions of grant funding considered "State" funding	<u>( 3,792,912 )</u>
	<u>\$ 5,264,266</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Public Health  
District Health Department No. 10  
White Cloud, Michigan

We have audited the financial statements of the governmental activities and the major fund of District Health Department No. 10 as of and for the year ended September 30, 2008, which collectively comprise District Health Department No. 10's basic financial statements and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District Health Department No. 10's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

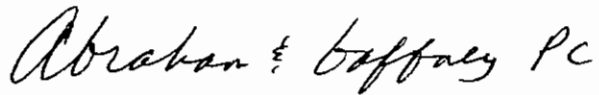
Compliance and Other Matters

As part of obtaining reasonable assurance about whether District Health Department No. 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2008-1.

District Health Department No. 10's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit District Health Department No. 10's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Public Health of District Health Department No. 10, others within the entity, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 10, 2009

Principals

Dale J. Abraham, CPA  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Public Health  
District Health Department No. 10  
White Cloud, Michigan

Compliance

We have audited the compliance of District Health Department No. 10 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major Federal program for the year ended September 30, 2008. District Health Department No. 10's major Federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of District Health Department No. 10's management. Our responsibility is to express an opinion on District Health Department No. 10's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about District Health Department No. 10's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District Health Department No. 10's compliance with those requirements.

In our opinion, District Health Department No. 10 complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended September 30, 2008.

Internal Control Over Compliance

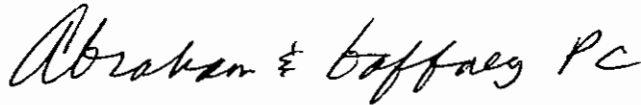
The management of District Health Department No. 10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered District Health Department No. 10's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District Health Department No. 10's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and the Board of Public Health of District Health Department No. 10, others within the entity, the Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 10, 2009

## SCHEDULE OF FINDINGS

Year Ended September 30, 2008

**Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   NoSignificant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reportedNoncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   NoSignificant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.268

Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No**Section II - Financial Statement Findings****2008-1 UNFAVORABLE BUDGET VARIANCES**

**Condition:** During our review of the Department's compliance with the budgeting act, we noted that expenditures exceeded the amounts appropriated in the Special Revenue Fund. A similar issue was noted and reported in our prior year audit comments.

**Criteria:** The Uniform Budgeting and Accounting Act requires the Department to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

SCHEDULE OF FINDINGS

Year Ended September 30, 2008

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**Section II - Financial Statement Findings - continued**

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**2008-1 UNFAVORABLE BUDGET VARIANCES - CONTINUED**

Effect: The Department adopted the budget for the Special Revenue fund at the total expenditure level. Having unfavorable budget variances as described above, the Department is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the Department continue to monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Corrective Action Response: The FY08 budget did not include a value for State Vaccine. The actual expenditures and actual revenues included this value of vaccine, and therefore the variance between actual and budget was unfavorable. The Department will continue to monitor the value of vaccine throughout the fiscal year.

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**Section III - Federal Award Findings and Questioned Costs**

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None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2008

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

**2007-1 Investment Policy Required by Michigan Complied Law**

Condition: The Department had not adopted an investment policy as required by State law.

Resolution: The Department adopted an investment policy in 2008. We consider this issue resolved.

**2007-2 Unfavorable Budget Variances**

Condition: During our review of the Department's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in the Special Revenue Fund. The Department's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the Special Revenue Fund.

Resolution: This issue is evaluated each year. We consider this issue resolved for 2007.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.